

## **Medicare Prescription Drug Benefit FAQs**

**Q: When does the benefit begin?**

A: The prescription drug benefit, which will be called Medicare Part D, begins January 1, 2006. In the interim, a national prescription drug discount card for Medicare eligible seniors will be instituted in April 2004.

**Q: What kind of assistance will the drug discount card program offer?**

A: Starting in the spring of 2004 and ending when the actual prescription drug benefit goes into effect in 2006, seniors will be able to purchase drug discount cards for \$30 a year. Low-income seniors (\$12,123 in annual income for a senior living alone or \$16,362 for a couple) will be able to get these cards for free and will also receive \$600 of credit to be used to assist them in purchasing drugs. These drug discount cards will be similar to the discount cards that are currently on the market. The Medicare bill does not stipulate the base prices for the drugs that will be discounted, so the value of the discount will be determined by private industry. It is estimated that the discount card will provide savings of 10% to 25%.

**Q: How much will the prescription drug benefit (Part D) cost?**

A: Premiums are estimated to be \$35 a month (\$420 a year) in 2006.

**Q: How will I sign up for the benefit?**

A: The drug benefit will be provided through private prescription drug plans, and not Medicare. Each year, Medicare beneficiaries will have to select a drug plan. The law guarantees that beneficiaries will have a choice of at least two plans offering prescription drug coverage, but one of these plans may be an HMO or other private plan that also provides full Part B benefits.

**Q: Is the benefit voluntary?**

A: Yes, Medicare eligible seniors may choose not to enroll in the federal program. However, if they delay enrollment in the program until after they are first eligible, they face a substantial late enrollment penalty.

**Q: What will I get under the benefit?**

A: After you pay the premium and a \$250 annual deductible, the plan will pay 75 percent of your drug costs (you pay 25 percent) until your total drug expenses reach \$2,250. After you reach \$2,250 in drug expenses in a year, your coverage stops and you have to pay for the next \$2,850 in drug expenses entirely by yourself. This is called the "doughnut hole." Insurance coverage doesn't start again until your drug expenses reach \$5,100. At that point you've spent \$3,600 of your own money for prescription drugs plus the \$420 premium, and you now qualify for catastrophic coverage. For the rest of the year, you pay either a flat copayment of \$2 for every generic drug and \$5 for brand-name drug on the formulary, or 5 percent, whichever is greater.

**Q: Will the amounts I pay change over time?**

Yes. The deductible and the size of the “doughnut hole” will grow each year based on increases in government spending for the Medicare benefit. Thus, if Medicare drug costs skyrocket, so will your deductible and the “doughnut hole.” Because drug spending increases much faster than regular inflation—and is projected to continue to do so—most people in Medicare will see the amounts they have to pay go up faster than their income.

**Q: Are all plans going to offer the same thing?**

**A:** No. Plans do not have to cover all drugs and different plans will cover different drugs. Plans are required to cover some drugs in all “therapeutic” classes. However, plans are not required to cover every drug in a class. Rather, they will have drug formularies that list covered or preferred drugs. For example, a plan may cover several drugs for high blood pressure, but it may not cover the blood pressure medication that you take. You’ll need to make sure that the plan you enroll in covers the drugs you take. This is important because the plan will only pay for the drugs it covers and only those drugs count towards your deductible and out-of-pocket limit.

**Q: Can seniors receive the prescription drug benefit while remaining in traditional Medicare?**

**A:** Yes. Seniors may remain in fee-for-service Medicare and sign up for the new prescription drug benefit. However, seniors will also be able to receive their Medicare Part B and the prescription drug benefit through an HMO (Medicare+Choice) or other private health plan.

**Q: What happens to seniors on PAAD and Senior Gold?**

**A:** In order to continue to receive their PAAD and Senior Gold benefit, seniors enrolled in those programs will be required to enroll in a private plan to receive the Medicare drug benefit. The State of New Jersey will then negotiate with the private plans to fill in the gaps between what the Medicare drug plans will offer and what PAAD and Senior Gold currently provide. It is unlikely, however, that seniors will continue to receive exactly the same drug benefits that they receive under PAAD and Senior Gold, as PAAD and Senior Gold may be prohibited from covering drugs that are not listed on the Medicare drug plan’s formulary.

\*\*\*Note that the Corzine language, which was not included in the final bill, would have allowed seniors to remain in PAAD and Senior Gold and to continue to receive the same benefits they currently receive.\*\*\*

**Q: Will retirees lose their employer sponsored retiree drug benefits?**

**A:** While the actual impact is unclear, it is estimated that as many as 94,000 New Jersey retirees will lose their employer-based prescription drug coverage. It is up to the individual employer to decide whether it will continue to offer prescription drug benefits.

**Q: Can I keep my Medigap coverage if I enroll in the Medicare drug benefit?**

**A:** If you enroll in the new Medicare prescription drug benefit, you will not be able to maintain Medigap drug coverage. You may, however, retain non-prescription drug Medigap coverage.

**Q: What happens if a senior is dually eligible for Medicaid and Medicare?**

**A:** The low-income seniors (below 100% of the federal poverty level, \$8980) in NJ who are currently dually eligible for and enrolled in both Medicare and Medicaid would receive fewer benefits under the Medicare bill than they currently receive under Medicaid. Currently, these seniors pay no copayments for their prescription drugs and are not subject to any formularies. Under the Medicare bill, they will have to pay \$1 copayments for generic drugs, and \$3 for brand name drugs. Also, these copayments will rise annually as Medicare expenditures increase. Additionally, these seniors – who currently have complete access to prescription drugs – will be subject to the formularies and other cost management mechanisms that the private prescription drug plans impose.

**Q: Will there be an assets test in order to receive the low-income assistance?**

**A:** Yes, eligibility for low-income assistance will be determined by an assets test. If your income is below 135 percent of poverty (\$12,123 in annual income for a senior living alone or \$16,362 for couples), you may not have assets greater than \$6,000 if you're single or \$10,000 for couples. If your income is between 135 and 150 percent of the federal poverty level (\$13,470 for singles and \$18,816 for couples) you may not have assets exceeding \$10,000 if you're single or \$20,000 for couples. It is estimated that 92,000 low-income New Jersey seniors will be denied low-income assistance under the bill because of this assets test.

**Q: What happens to seniors who receive drug benefits from the Veterans Administration?**

**A:** This legislation does not affect the provisions governing the VA's prescription drug program. The VA can continue to offer prescription drugs to veterans separate from the Medicare program. However, in the future, the VA may try to lower costs by cutting prescription drug benefits to try to push veterans into the Medicare prescription drug plan.

**Q. Will the bill change how Medicare operates?**

**A.** In 2010, Medicare will begin a "demonstration project" in six metropolitan areas, one of which could be in Burlington, Camden, and Salem counties in New Jersey. These demonstrations could radically alter Medicare by forcing traditional Medicare, which typically enrolls older and sicker beneficiaries, to compete with private Medicare health plans, which serve healthier seniors. If the private plans can provide health care at a lower cost than the Medicare program, then seniors who choose to remain in Medicare will pay higher premiums than they would otherwise pay.

**Q: Will this legislation affect Medicare Part B?**

**A:** The Medicare Part B deductible will increase to \$110 from \$100 in 2005, and be indexed to growth in the costs of the Medicare Part B program starting in 2006. Seniors with incomes of more than \$80,000 per year will pay more in Part B premiums starting in 2007 due to means testing.

**Q: What will happen to Medicare + Choice as a result of this legislation?**

**A:** The Medicare + Choice program will continue but will now be called Medicare Advantage.

**Q: How does this legislation impact cancer care in New Jersey?**

**A:** This legislation cuts \$552 million in reimbursement for oncology drugs in New Jersey.

**Q: Does this legislation legalize the importation of prescription drugs from Canada?**

**A:** This legislation includes a provision that permits Americans to purchase prescription drugs from Canada if the Secretary of HHS certifies the safety of the practice.